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**SRI LANKA**

## **USAID SRI LANKA ALLIANCE-BUILDING STRATEGY**

### **USAID SRI LANKA'S NEW APPROACH**

USAID Sri Lanka is in the process of developing a new five year strategy. The thrust of the strategy will be to focus on economic development and human rights/good governance in or near conflict-affected areas. As with most other USAID countries, funding shortfalls have forced the Agency to continue to develop creative methods to implement needed activities – including the use of public-private partnerships.

Ironically, the lack of financial resources is not the biggest challenge in Sri Lanka. The biggest challenge to effective use of USAID resources is in restoring a credible peace process where both parties come to the negotiations with the intent to resolve the conflict.

The second challenge is to address critical deficits in democracy and governance:

1) Human rights violations and a continuation of long-standing culture of impunity; 2) Shrinking space for political dissent in general and pro-peace, non-nationalist discourse in particular; and, 3) Poor governance which remains heavily centralized coupled with signs of increasing fragmentation of authority and public sector corruption.

In addition to those challenges, there are some real constraints to economic development that need to be addressed to meet the challenges particularly in conflict-affected areas: increasing low levels of economic development, employment and livelihoods; high rates of inflation; poor infrastructure including roads, irrigation systems, and rural markets; and, 25% of the population below the poverty line, most of which is in the rural population.

**New Strategic Approach:** USAID assistance to Sri Lanka will be directed to mitigate the effects of the conflict, address the challenges, lay the foundation for peace, and begin to address the root causes of the inequities in the north and east. USAID will direct its local governance, economic growth and workforce development assistance to both conflict-affected and conflict-strategic (i.e., areas in which the conflict is ignited) areas.

### **STRATEGIES FOR LEVERAGING PRIVATE SECTOR RESOURCES**

USAID strategies to leverage its scarce resources can and should be an important element of the new five year strategy for USAID Sri Lanka. There are basically three approaches that USAID/Sri Lanka will consider employing: in-kind support, matching grants and GDA partnerships. All three approaches are described below.

**In-Kind Support.** Many local companies have Corporate Social Responsibility (CSR) policies which encourage them to spend a certain amount of funding each year on activities that benefit the communities in which their businesses reside. Examples of in-kind support could include, but are not limited to, the private sector providing: apprenticeship opportunities for students who complete the USAID curriculum in workforce development, career mentoring advice, co-development of curriculum, co-construction of facilities, co-delivery of courses, market

information, etc. Opportunities should be explored with companies either residing in USAID target geographic areas or those considering expansion into those areas

**Matching Grants.** Several NGOs (e.g., Save the Children, CARE, the American Red Cross) are managing significant amounts of funds that they raised for post tsunami reconstruction. These NGOs could be good partner candidates for economic development projects in areas where they are implementing tsunami related work. Many of these NGOs would be able to make considerable contributions through some sort of cost share or matching grant arrangement. Matching grants should use guidelines or strict criteria for proposal submission and insistence on the match in cash. USAID Guatemala is using this approach in the health and education sector with a relatively high degree of success.

**GDA Style Partnerships.** USAID/Sri Lanka has been successful at private sector partnerships that have leveraged a range of resources. These include a variety of environmental alliances under the US-Asia Environmental Partnership program such as Ecotourism, Air Pollution Reduction, and Water and Sanitation. In addition, USAID/Sri Lanka has also leveraged nearly \$5 million for post tsunami reconstruction from private sector partners that include Mellon, Prudential, Geneva Global, the American Joint Jewish Distribution Committee, the Chevron Global Fund, among others. These alliances could be leveraged, or new ones developed.

## **THE POTENTIAL TO FORM ALLIANCES WITH THE COMMERCIAL SECTOR**

To determine to what extent the commercial sector in Sri Lanka would be willing to partner with USAID on development programs targeted at conflict-affected or conflict-strategic populations, USAID/Sri Lanka conducted a rapid assessment. The assessment targeted nine key Sri Lankan and International businesses for informational interviews. Key findings from the assessment include:

- The commercial sector is open to collaborating with USAID in conflict-affected areas. However, USAID needs to make a concrete proposal in terms of projects and the role of the business.
- The most obvious opportunity for collaboration was in economic development and agriculture. There is interest in democracy and governance as long as it overlaps with economic development.
- Collaboration with the businesses will be most successful if the collaboration/projects fit with the business's corporate social responsibility policy.
- The commercial sector does not have significant cash resources to invest in programs but does have important in-kind resources and other assets that can be of value such as technologies, markets, infrastructure, products, transportation, and networks.

## **ILLUSTRATIVE EXAMPLES OF ALLIANCES IN SRI LANKA**

The assessment of the private sector resulted in discussing possible collaboration points between businesses and USAID. Following are several illustrative examples of potential partnerships that USAID might pursue to support its new strategy:

- Linking agriculture production to commercial markets (i.e., Sri Lankan supermarket chains).
- Working on post harvest loss prevention and improving post harvest handling techniques.
- Apparel sector workforce development (skill training and jobs).
- Engine mechanics workforce development (skill training and jobs).

- Technology and market information alliance.
- Bringing computer skills to communities in conflict-affected or conflict-strategic areas.
- Assisting farmers cultivate plants that generate phytochemicals for in-demand markets.
- Exotic rice cultivation and market linkages. Rice milling as small enterprise activities is a strong possibility.
- Businesses for peace initiatives that encourages investment in conflict-affected areas, job training and employment, and civic education.

## SUCCESSFUL ALLIANCE BUILDING

As USAID moves forward with exploring and developing partnerships with the private sector in Sri Lanka, it will consider incorporating the following approach that begins with early conceptualization and ends with successful, well-managed alliances.

1. **Project Conceptualization.** During the project conceptualization phase, USAID and its implementing partners should begin to explore ways that specific private sector entities (businesses, NGOs, universities, foundations) might contribute to the achievement of the project's objectives. One way to proceed is to assess the variety of activities and resources that will be required to achieve the objectives and, in the process, list specific areas that the private sector can support. Next, list the organizations operating in Sri Lanka that possess competencies and assets in these areas. Finally, USAID and its implementing partners would contact these organizations to gauge their interest in collaborating on the project and contributing resources. It is important to begin to examine potential alliances during the conceptualization phase because it will give USAID and its implementing partners ideas of what is possible and how best to use and leverage USAID resources. Early discussions with the private sector might generate new ideas that can be used to help shape the final project design.
2. **Project Design.** Many USAID projects incorporate the expectation that contractors bidding on the solicitation will form alliances and leverage USAID resources. However, the actual alliance strategy is usually not built into the project's design. To the extent possible and permitted by USAID contracting policies and procedures, these alliances should be woven into the design so it is clear how private sector partners and their resources will contribute to the achievement of the project's objectives. For example, if an economic development program in a conflict-affected or conflict-strategic area relies on getting products to viable markets and the USAID believes the private sector has an important role to play, it is vital to have an understanding of who these companies are and how they can support market creation. It is not unreasonable to consider that some of this activity might take place on the part of potential bidders during the implementing mechanism solicitation phase.
3. **Solicitation Language and Evaluation Criteria.** Once alliances are firmly embedded into the project's design, USAID will work with the Regional Contracting Officer to include specific alliance language in the solicitation that makes USAID's expectations about forming alliances and leveraging a range of resources clear. If USAID and bidders have thought through the role of the private sector during conceptualization and included alliance strategies into the design, then adding alliance language and evaluation criteria will be specific and highly accurate. As noted previously, many USAID projects skip the conceptualization and design steps to go directly to adding alliance language to the solicitations. This can result in the reference to alliances being ambiguous and, more importantly, it can create false expectations.

4. **Monitoring Alliances.** It is very important to regularly monitor the formation of alliances and leveraging of resources after the contract has been awarded and the project is initiated. Some USAID country offices waited until a mid-term evaluation to assess alliances. By this time it was too late. USAID/Sri Lanka will incorporate alliance monitoring into its reporting requirements and debriefing with implementing partners. If alliances have been built into the project's design and solicitation language, USAID will be in a much stronger position to determine whether the expectations for forming alliances and leveraging USAID resources are being met.

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